

Impartial Analysis of Measure U by Sierra Madre City Attorney

By Bill Coburn

The following is the impartial analysis of Measure U by the City Attorney, as it will appear on the sample ballot for the Sierra Madre April 8th election. This has been provided to us by the City Clerk. Measure U is the initiative that, if passed, will increase the City's utility tax by 2% on July 1st of 2008, again on July 1st of 2009, and then again on July 1st of 2010. It will update the existing ordinance as regards communication technology, and expand the scope of the ordinance to include video, water, sewer/wastewater and solid wastewater disposal services. It will establish a citizen's oversight committee to review expenditures and provides exemption for low income users, and will, unless otherwise extended by voters, reduce the tax by 2% on July 1st, 2014, again on July 1st, 2015 and return it to its present rate on July 1st, 2016.

IMPARTIAL ANALYSIS OF MEASURE U PREPARED BY THE CITY ATTORNEY

Measure U is submitted to the voters by the Sierra Madre City Council to update the City's current Utility Users Tax and increase the rate to generate additional municipal revenues.

Background

A utility users tax (UUT) is a tax levied on each user of a utility (e.g. telephone, electricity, gas, water, wastewater, solid waste disposal, cable or video services) within the City's boundaries. UUT revenues are paid into the City's general fund, which is used to fund city services and programs. The City's current Utility Users' Tax rate is 6% of applicable charges, has been in force since at least 1993, and is based upon a model ordinance developed in the 1970's.

A citizens Ad-Hoc Finance Committee was formed to consider the City's current financial condition. The Committee concluded, and the City Council agreed, that the City has an urgent need for additional revenue to fund basic City services. More specifically, the Committee recommended, and the City Council approved, submitting an increase in both the scope and rate of the existing UUT in order to generate additional revenue that can be used to fund general City services, including essential services such as police, fire and paramedics.

Furthermore, telephone regulation, marketing and technology have changed greatly in ways that were not contemplated by the original UUT ordinance. Telephone companies have introduced cell phone service and many other new services and features. It is expected that telephone companies will continue to develop new forms of telecommunications technology in the future. The language of the existing ordinance does not directly address new technologies and legal changes and therefore challenges have been raised by phone carriers that could threaten this revenue in the future if the UUT is not updated.

The Measure.

Measure U WILL:

- Temporarily increase the UUT rate from 6% to 12% over a period of three years to raise additional general fund revenues. Unless approved anew by the voters, the rate will decrease over time beginning in 2014, reverting back to the current 6% rate by 2016.
- Increase the scope of the UUT to include video, water, sewer/wastewater and solid waste disposal services.
- Expand the existing exemption for very low income senior citizens to include all low-income households.
- Update the definitions in the UUT, so that the tax applies equally to customers using older telephone technology as well as those using newer telecommunications technology, such as wireless or VOIP.
- Establish a citizen oversight committee to review and provide recommendations concerning the

expenditure of the additional revenues generated by the measure.

Measure U WILL NOT:

- Tax access to the internet;
- Tax internet purchases and downloads, such as books, music, ringtones, games or similar digital products.

Measure U requires approval of a majority of voters. A "yes" vote for Measure UA will approve the update and rate increase described above; a "no" vote will leave in place the City's existing Utility Users Tax Ordinance.

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